

Hopes that business leaders in parliament will promote reforms may be premature

Vol. 4, No. 116, May 25, 1998

Ukraine's new parliament is undergoing the process of developing its internal structure. The first organizational wave was connected to formation of parliamentary factions according to the party principle: each of eight parties that passed the 4 percent "admission qualification" now have the right to create factions of their own, and to invite non-partisan MPs elected in constituencies to join them.

In addition to contradictions between the left and the right wings, the new parliament displays rather serious disagreements between MPs elected on party lists and those who won their seats under the majoritarian principle. The former proved to be better organized and prepared for parliamentary battles; they drafted and pushed the proposals on dividing into factions that would give even more significant role to political parties.

Notwithstanding the opposition of advocates of the old practice of breaking up into factions and groups, on May 13, 1998, eight victorious parties succeeded in introducing the new order by the vote of 314 to 43. As a result, only 36 out of 431 new MPs have not explicitly stated their political preferences by joining a particular faction. According to the new rules, the minimum number of MPs needed to form a faction was reduced to 14, and deputy groups are no longer considered political structure units eligible for participation in forming the Rada's organizational structures.

The accelerated development of partisan alliances in the Verkhovna Rada may have political implications that are likely to cause a number of problems. For instance, the part of non-partisan members of a faction can outnumber the party-based core and, as a result, the faction will stop being a structure of a particular political force. In addition, taking into account the fact that the hasty "partisation" is occurring in the atmosphere of competition for power, and factions are chosen out of considerations of their potential influence rather than out of shared beliefs, it may be expected that a number of non-partisan MPs will leave their new factions and continue to promote their own interests and rights as soon as the parliamentary committees are formed.

About one third of the new members of parliament - almost as many as all MPs who got their seats on party election lists - are connected with business structures. Pragmatic directors, presidents, or at least vice chairmen and managers not only won in majoritarian constituencies: particular people of particular businesses were well-represented in party lists. Moreover, the gas and oil "monopoly" on parliamentary representation was overturned, and now the new parliament has an influential and diverse business wing.

Even the Communist party's faction has 14 members who are leaders of firms and companies, and the Socialist-Peasant faction has eight businessmen. Business leaders of the United Social-Democratic party are more concerned about attracting new non-partisan recruits to their smallish faction than about promoting their enterprises and building up their capitals. They succeeded in signing up chairman of the board of the Zeus bank Yevhen Ananko, chairman of the board of the Kyiv Economic Foundation Oleksandr Chubatenko, president of the West-ConTrade joint venture Nestor Shufrych and some others. The Hromada also managed to attract some non-partisan businessmen to their ranks, including chairman of the board of the Kievskie Vedomosti publishing house Mykhailo Brodsky, chairman of the board of the joint-stock company "Druzhkovsky Machine-building Plant" Yevhen Konstantinov, and president of the "Agrarian Union" company Valeriy Martynovsky. The 89-strong People's Democratic Party's faction has been the most successful in recruiting non-partisan businessmen. Currently it has over 30 business leaders, including officials of the major gas trader, "Intergas", Valeriy Akopyan and Oleksiy Kucherenko, president of the Ukrgaservice Oleksandr Danylchuk, deputy chairman of the board of the Ukrasprom joint-stock company Ivan Diak, director general of the "Iren" corporation Oleksandr Zhovtis, chairman of the board of the closed joint-stock National Gas Company Leonid Pashkovsky, president of the Interpipe Victor Pinchuk and others. Apparently, most of business leaders felt that they shared the PDP's values and agenda after a series of conversations in some top-ranking executive offices, during which the businessmen were briefed on the party's program and implications

of being in opposition to it. Under pressure of ideology, enhanced by a quite realistic possibility to lose business and face a decrease of their personal standards of living, a number of businessmen-turned-MPs realized what their true political orientation was.

According to some MPS, the PDP faction is one of the most unstable formations in the new parliament. Since most of the faction's members do not belong to any political party, it will be very hard to maintain the so-called "party discipline".

Moreover, members of the PDP faction have to face the fact that many of their parliamentary colleagues want to see the current government - led by Number One of the PDP's election list Valery Pustovoitenko - resign. If that happens, the People's Democrats will be dealt a blow that may keep them knocked out for a rather long period of time. Analysts believe that such a development may cause substantial reduction of their faction in the parliament, and their real influence on Ukraine's political life may drop to zero. Therefore, many observers speak about a possibility of a tacit agreement between the PDP and Communists, the former offering their support to Communist leader Petro Symonenko when electing the Speaker, while the latter do not demand resignation of the government.

The business leaders in the parliament pursue different interests - that is why they have joined different political parties' factions or remained in the group of independent MPs, sharing the view that the best unification formula for entrepreneurs is "everyone minds his own business". For instance, president of the Pravex corporation Leonid Chernovetsky suggested to establish an "informal" association of businessmen - members of parliament, a standing conference under the President aiming at discussion of important issues. "Actually, I am an oppositionist by nature. And I prefer to take the side of the deprived than stick to power-holders. That is why I am on my own now. I'm looking around. I quite liked the idea of establishing a non-faction or even a faction-based union of entrepreneurs, for the Ukrainian parliament, unlike parliaments of other CIS states, has obtained an incredible quality: one third of it are former businessmen. Big businessmen. Therefore, there is a chance to unite on this basis."

However, it would be incorrect to assume that business-related MPs share common interests regardless of their party affiliations. There is little hope that the businessmen among MPs will form a united pro-market force that would influence leaders of factions whose election campaigns they supported financially. Take, for instance, the gas traders, who succeeded in winning more than a dozen seats in the parliament and are able to control voting of some 100 or 120 MPs in the factions they sponsor. The least desirable for the gas traders is the development of free market relations, equal opportunities and fair competition; on the contrary, their idea of a perfect economic model is based on availability of state guarantees, taxation benefits for the selected few, unlimited barter and exclusive conditions for business with no competitors around.

The situation with a number of "oil tycoons" and "bankers" in the parliament is less dramatic, but they also measure chances for success of their businesses by their proximity to power. The search for the so-called "political rent" is one of the main anti-market features, alongside with corruption that may be interpreted as "business activity contrary to market laws". Therefore, it is likely that almost all businessmen among newly-elected MPs came to the parliament to be close to power and, once having gained the power, receive certain rewards and privileges for their pet enterprises. Meanwhile, personal interests of particular businessmen often are alien to corporate interests of the whole class of private owners and, multiplied by the number of "Controlled" MPs or the number of "sponsored" factions, those particular interests are likely to transform into a powerful vehicle for anti-market bills.

It is still uncertain that the power establishment will be committed to promoting entrepreneurship in general, and businesses of those who sit in the parliamentary session hall in particular. Hence, business leaders who won parliamentary seats in majoritarian constituencies may lose independence but gain little or nothing instead.

Paradoxically, businessmen in this parliament are likely to form a strong anti-market force. Yet, this phenomenon is easily accounted for by the fact that the lack of a real middle class in this country resulted in the absence of political parties that would express the corporate interest of the class of business and property owners. Numerous businessmen who managed to get to the parliament under different banners are concerned, first of all, about solving their own problems and pursuing their own interests. Many of them passed due to the votes of supporters of Communists, Socialists, the Rukh, the

Green, but not as a result of support of the business community. And their support for market reforms will be selective and limited to the cases when reforms are to their benefits.